

## Message Text

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FOLLOWING REPEAT STATE 232799 SENT BERN BONN BRUSSELS CANBERRA  
COPENHAGEN EC BRUSSELS THE HAGUE HELSINKI LONDON OSLO OTTAWA  
STOCKHOLM TOKYO VIENNA WELLINGTON JIDDA DATED OCT 10.

QUOTE

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AIDAC ADCOR

FOLLOWING REPEAT STATE 232799 ACTION GENEVA OECD PARIS ROME

DATED 30 SEP 75

QUOTE

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AIDAC ADCOR

E.O. 11652:

TAGS: EFIN, EAID, SZ, FR, IT

SUBJECT: INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT  
(IFAD) MEETING GENEVA, SEPTEMBER 22-27

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REF: GENEVA 7296

SUMMARY - MEETING OF IFAD WORKING GROUP CONCLUDED WITH DRAFT ARTICLES OF AGREEMENT TO BE SUBMITTED TO A MEETING OF INTERESTED GOVERNMENTS. (DRAFT INCLUDES ALTERNATIVE WORDING WHERE COMPROMISE NOT POSSIBLE.) AGREEMENT REACHED ON A NUMBER OF MAJOR ISSUES, E.G., IFAD WILL BE A FUND NOT A BANK, WILL NOT HAVE BORROWING AUTHORITY AND WILL LEND OR MAKE GRANTS PRIMARILY TO LOW INCOME FOOD DEFICIT COUNTRIES. HOWEVER, NO AGREEMENT REACHED ON ISSUES OF WEIGHTED VOTING, TOTAL AMOUNT OF PLEDGED CONTRIBUTIONS NECESSARY TO ACTIVATE FUND AND WHETHER FUND WILL HAVE AUTHORITY TO MAKE AVAILABLE RESOURCES DIRECTLY TO LDGS. OPEC COUNTRIES MAINTAINED RELATIVELY LOW PROFILE THROUGHOUT MEETING. NEGOTIATIONS ON EACH ISSUE WERE PROTRACTED AND OCCASIONALLY HEATED. G-77 WAS UNIFIED ON MOST ISSUES IN SHARP CONTRAST TO DIVISION WITHIN DAC GROUP. AGREEMENT REACHED THAT REMAINING ISSUES SHOULD BE RESOLVED IN MEETING OF INTERESTED GOVERNMENTS RECOMMENDED FOR OCTOBER 27 TO 31 IN ROME. THIS MEETING WOULD BE CONCLUDED BY A PLEDGING SESSION. DAC MEETING WILL BE REQUIRED IN ADVANCE TO DEVELOP POSITION ON UNRESOLVED ISSUES. END SUMMARY.

1. AREAS OF WORKING GROUP AGREEMENT - AGREEMENT REACHED ON A NUMBER OF MAJOR ISSUES AS FOLLOWS:

STRUCTURE OF FUND - IT WAS AGREED THAT IFAD WOULD HAVE THE STRUCTURE OF A FUND NOT A BANK AND WOULD HAVE NO BORROWING AUTHORITY. CONTRIBUTIONS WILL BE MADE TO THE FUND ON A GRANT BASIS AND BE DISBURSED AS GRANTS AND LOANS PRIMARILY ON SOFT TERMS. HOWEVER, SINCE KUWAIT HAD BEEN MAJOR SUPPORTER OF BANKING STRUCTURE AND THEY DID NOT ATTEND THE MEETING, THIS ISSUE COULD RESURFACE.

PURPOSE OF FINANCING - U.S. OBTAINED AGREEMENT ON LANGUAGE GIVING PRIORITY TO FINANCING FOR POORER FOOD DEFICIT COUNTRIES FOR PROJECTS AND PROGRAMS SPECIFICALLY DESIGNED TO IMPROVE FOOD PRODUCTION SYSTEMS AND TO STRENGTHEN RELATED POLICIES AND INSTITUTIONS. IN LIMITED OFFICIAL USE

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DETERMINING PRIORITIES IT WAS AGREED THAT OBJECTIVE ECONOMIC AND SOCIAL CRITERIA SHOULD BE USED.

FINANCIAL ISSUES JA AFTER LENGTHY DEBATE LDGS DROPPED THEIR EFFORT TO RETAIN MAINTENANCE OF VALUE. PROVISION WAS MADE IN THE AGREEMENT FOR CASH CONTRIBUTIONS ON A VOLUNTARY BASIS. THIS WOULD ENABLE THE FUND TO ESTABLISH INTEREST BEARING ACCOUNTS TO PAY ADMINISTRATIVE COSTS;(

7.S. CONTRIBUTION WOULD BE VIA LETTER OF CREDIT.

RELATIONSHIP O UN - SEVERAL  
DCS AND NORDIC GROUP PUSHED  
FOR SUBORDINATION OF IFAD TO UNGA, WHILE SAUDIS AND U.S.  
AND MANY LDCS PRESSED FOR MORE AUTONOMOUS ROLE. AGREEMENT  
REACHED ON STATUS OF SPECIALIZED AGENCY WITHIN THE UN  
SYSTEM. DIFFERENCES REMAIN OVER WHETHER IFAD SHOULD  
FOLLOW FAO OR IBRD MODEL.

SITE OF FUND - THERE WAS PREDOMINANT SUPPORT FOR ROME AS  
PROVISIONAL SEAT, WITH ONLY THE U.S. PROPOSING WASHINGTON.  
SOME LDCS STATED THEY MAY WISH TO CONSIDER AN LDC SITE.  
MOROCCO OFFERED TO HOST IFAD.

2. ON THE FOLLOWING ISSUES, NO AGREEMENT COULD BE REACHED:

WEIGHTED VOTING - GOVERNORS' COUNCIL - THE QUESTION OF  
WEIGHTED VOT-  
ING BECAME A MAJOR ISSUE, WITH LDCS/N SUPPORTED  
BY NORWAY, SWEDEN AND NETHERLANDS TURNING OPPOSITION TO  
STRONGLY FOR THE NEED TO MAINTAIN THE PRINCIPLE OF  
WEIGHTED VOTING AND RECEIVED VARYING DEGREES OF SUPPORT.

FROM UK, AUSTRALIA, GERMANY, JAPAN AND CANADA. AGREEMENT  
REACHED ON SAUDI COMPROMISE THAT VOTES SHOULD BE  
DISTRIBUTED ONE-THIRD TO EACH CATEGORY OF COUNTRIES  
(DEVELOPED DONOR, DEVELOPING DONOR, AND DEVELOPING  
RECIPIENT), WITH MANNER OF DISTRIBUTION OF VOTES WITHIN  
EACH CATEGORY TO BE DETERMINED BY THAT GROUP. OPEC  
COUNTRIES INDICATED THAT THEY WOULD PROBABLY ADOPT THE  
PRINCIPLE OF ONE COUNTRY ONE VOTE IN THEIR CATEGORY. DAC  
COUNTRIES AGREED ON NEED FOR EARLY DAC MEETING TO  
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RESOLVE MANNER OF VOTING WITHIN GROUP.

EXECUTIVE BOARD - IT WAS AGREED THAT EACH CATEGORY OF  
COUNTRIES SHOULD HAVE 6 MEMBERS ON THE EXECUTIVE BOARD.  
U.S. AND SOME DAC COUNTRIES MENTIONED ABOVE PUSHED FOR  
WEIGHTED VOTES IN THE DEVELOPED DONOR CATEGORY AND  
DECISIONS BY TWO-THIRDS OF THE VOTES. SAME COUNTRIES AS  
NOTED ABOVE STRONGLY OPPOSED WEIGHTED VOTE AND PUSHED  
FOR DECISIONS BY SIMPLE MAJORITY. AFTER LENGTHY AND AT  
TIMES HEATED DISCUSSION SAUDI ARABIA PROPOSED COMPROMISE  
OF AGREEING TO DECISIONS BY TWO-THIRDS VOTES, BUT WITH NO  
WEIGHTING. NO AGREEMENT REACHED BUT CLEAR THAT LDCS SEE  
THIS AS MAJOR PRINCIPLE.

TRIGGER LEVEL

- ANOTHER MAJOR UNRESOLVED ISSUE IS THE AMOUNT OF CONTRIBUTION REQUIRED TO TRIGGER THE FUND. THE U.S. PROPOSED A TWO-STEP PROCEDURE WHEREBY THE AGREEMENT WOULD NOT BE SIGNED UNTIL THE LEVEL OF PLEDGED CONTRIBUTIONS TOTALLED AT LEAST DOLLARS 1 BILLION. THE AGREEMENT WOULD THEN FORMALLY COME INTO FORCE WHEN RATIFIED BY GOVERNMENTS CONTRIBUTING A TOTAL OF 750 MILLION SDR. MOST DELEGATES AGREED THAT THE TARGET REMAINED 1 BILLION SDRS. SOME, HOWEVER, STATED THAT THE FUND SHOULD COMMENCE OPERATIONS WHEN LESS THAN SDR'S 750 MILLION OF THE TOTAL TARGE HAD BEEN CONTRIBUTED. THIS ISSUE IS OF SOME IMPORTANCE SINCE SOME COUNTRIES, E.G., JAPAN HAVE STATED THAT THEY ARE IN NO POSITION TO INDICATE THE AMOUNT OF THEIR POSSIBLE CONTRIBUTION AT THIS TIME. THERE IS LIKELY TO BE CONSIDERABLE PRESSURE TO START THE FUND AT A LOW LEVEL IN THE EXPECTATION THAT THE TARGET LEVEL WILL BE REACHED IN DUE COURSE.

RELATIONS WITH IFIS - THE OTHER MAJOR UNRESOLVED ISSUE IS WHETHER IFAD SHOULD RELY EXCLUSIVELY ON EXISTING IFIS FOR PROJECT PLANNING AND IMPLEMENTATION OR SHOULD HAVESOME AUTHORITY TO HANDLE THESE FUNCTIONS ITSELF. IT IS CLEAR THAT LDCS VIEW SUCH ABILITY FOR IFAD AS A MAJOR OBJECTIVE. THEME THAT EXISTING IFIS ARE OO SLOW, TOO CONSERVATIVE AND CHARGE TOO MUCH OVERHEAD WAS CONSTANTLY REPEATED.

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NO AGREEMENT REACHED AND THIS WILL BE A MAJOR ISSUE FOR INTERESTED GOVERNMENTS MEETING.

3. ATMOSPHERE - THE MEETING WAS CHARACTERIZED BY A NUMBER OF SHARP DIFFERENCES. THE ISSUE OF WEIGHTED VOTING GENERATED CONSIDERABLE HEAT ON BOTH SIDES WITH THE G-77 ARGUING HAT THIS PRINCIPLE IS OUT OF DATE AND TOTALLY IN CONFLICT WITH THE NEW REALITY. IN GENERAL, THE POSITIONS OF MEXICO, ARGENTINA, SWEDEN, THE NETHERLANDS AND LIBYA WERE THE MOST EXTREME. INDIA AND PAKISTAN, WHILE INTERVENING OFTEN AND FORCEFULLY TO REPRESENT THEIR VIEWS, APPEARED TO BE STRIVING TO CREATE A VIABLE FUND. THE SAUDI DELEGATE WAS A STRONG FORCE WORKING TOWARD A COMPROMISE POSITION WITH HIS VIEWS CARRYING CONSIDERABLE WEIGHT.

4. NEXT STEPS - THE AD HOC WORKING GROUP AS SUCH HAS COMPLETED ITS WORK AND SUBMITTED DRAFT ARTICLES OF AGREEMENT INCLUDING ALTERNATIVE LANGUARE IN SOME CASES TO INTERESTED GOVERNMENTS. THE INTERESTED GOVERNMENTS ARE SCHEDULED TO MEET IN ROME OCTOBER 27-31 TO COMPLETE AND APPROVE THE AGREEMENT. THIS MEETING IS TO BE IN TWO

PARTS. THE FIRST PART IS A TECHNICAL GROUP TO NEGOTIATE ON THE ARTICLES OF AGREEMENT. THE SECOND PART WOULD CONSIST OF A PRELIMINARY PLEDGING SESSION WHERE COUNTRIES WHO ARE IN A POSITION TO DO SO WOULD INDICATE THE LEVELS OF THEIR CONTRIBUTIONS. THE AGREEMENT ALONG WITH THE SCHEDULE OF PLEDGES WOULD THEN BE SUBMITTED TO THE UN GENERAL ASSEMBLY. IT IS EXPECTED THAT THE UNGA WOULD THEN CALL FOR A MEETING OF PLENIPOTENTIARIES TO SIGN THE AGREEMENT, POSSIBLY IN FEBRUARY.

5. ACTION FOR OECD - REQUEST U.S. MISSION TO ASK DAC CHAIRMAN WILLIAMS TO CALL SPECIAL MEETING OF DAC COUNTRIES TO DISCUSS UNRESOLVED ISSUES, I.E., THE REQUIREMENT FOR PLEDGES TOTALING ONE BILLION SDR'S TO HAVE BEEN MADE BEFORE AGREEMENT IS SIGNED, THE NEED TO IMPLEMENT AND PLAN PROGRAMS THROUGH EXISTING IFI'S, AND THE NEED FOR WEIGHTED VOTING. SUGGEST SOMETIME DURING WEEK OF LIMITED OFFICIAL USE

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OCTOBER 14 DEPENDING ON OECD SCHEDULE. CABLE WILL FOLLOW SHORTLY PROVIDING FURTHER BACKGROUND ON U.S. POSITION ON THESE ISSUES. INGERSOLL UNQUOTE KISSINGER UNQUOTE KISSINGER

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